

**UINTAH CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Uintah City

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Uintah City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Uintah City, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2006, on our consideration of Uintah City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richards & Associates

October 3, 2006

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MANAGEMENT'S DISCUSSION & ANALYSIS

UINTAH CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

This document is a narrative overview and analysis of the financial activities of Uintah City for the fiscal year ending June 30, 2006. Uintah City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the City's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, and garbage pick-up. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Government activities are also reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of city programs and the intent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation, which are presented in their own column. A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Completing the financial section of the report are schedules on capital assets and other financial schedules.

UINTAH CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

City as a Whole

Government-wide financial Statements

A condensed version of the Statement of Net Assets at June 30, 2006 follows:

	Net Assets at Year End					
	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Cash and investments	\$ 785,293	\$ 655,317	\$ 226,702	\$ 143,647	\$1,011,995	\$ 798,964
Other assets	46,785	31,862	22,777	21,059	69,562	52,921
Capital assets	823,228	919,617	1,663,765	1,700,816	2,486,993	2,620,433
Total assets	1,655,306	1,606,796	1,913,244	1,865,522	3,568,550	3,472,318
Other liabilities	9,763	13,415	-	-	9,763	13,415
Long term outstanding	21,607	39,115	476,851	509,202	498,458	548,317
Total liabilities	31,370	52,530	476,851	509,202	508,221	561,732
Net assets:						
Invested in capital assets,						
Net of related debt	801,621	880,502	1,187,914	1,192,614	1,989,535	2,073,116
Restricted	210,318	182,939	-	1,699	210,318	184,638
Unrestricted	611,997	490,825	248,479	162,007	860,476	652,832
Total net assets	\$1,623,936	\$1,554,266	\$1,436,393	\$1,356,320	\$3,060,329	\$2,910,586

The most significant changes to the balances at year end were an increase to cash of \$213,031 and a decrease to long-term liabilities of \$49,859. The increase in cash is merely due to normal increases to revenues.

UINTAH CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

A condensed version of the Statement of Activities follows:

Governmental and Proprietary Activities For the year ended June 30, 2006

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 164,759	\$ 138,437	\$ 281,012	\$ 253,221	\$ 445,771	\$ 391,658
Grants and contributions	52,324	44,637	-	-	52,324	44,637
General revenues:						
Taxes	244,585	249,251	-	-	244,585	249,251
Interest	24,670	11,537	2,574	10,928	27,244	22,465
Miscellaneous	251	2,500	16,250	-	16,501	2,500
Transfers	13,000	11,000	(13,000)	(11,000)	-	-
Total revenues	499,589	457,362	286,836	253,149	786,425	710,511
Expenses						
General Government	142,484	148,840	-	-	142,484	148,840
Public Safety	75,843	88,187	-	-	75,843	88,187
Highways & Improvement	179,324	245,321	-	-	179,324	245,321
Parks and Recreation	29,838	22,123	-	-	29,838	22,123
Cemetery	2,430	3,325	-	-	2,430	3,325
Water	-	-	158,679	202,537	158,679	202,537
Garbage	-	-	48,084	48,031	48,084	48,031
Total expenses	429,919	507,796	206,763	250,568	636,682	758,364
Change in net assets	69,670	(50,434)	80,073	2,581	149,743	(47,853)
Beginning net assets	1,554,266	1,604,700	1,356,320	1,353,739	2,910,586	2,958,439
Ending net assets	<u>\$1,623,936</u>	<u>\$1,554,266</u>	<u>\$1,436,393</u>	<u>\$1,356,320</u>	<u>\$3,060,329</u>	<u>\$2,910,586</u>

UINTAH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Governmental activities:

For the year ended June 30, 2006 the total revenues for the governmental activities were \$499,589. Program revenues totaled \$217,083. The major sources of program revenues were building permits, operating grants, and fines & forfeitures. General revenues for the year totaled \$282,506. The major sources of general revenues are taxes and interest earnings. Taxes comprise 50% of the City's general fund revenues including charges for services and grants.

Business-type activities:

For the year ended June 30, 2006, total revenues in the business-type activities were \$286,836. The majority of the revenue is from charges for services of the water & garbage funds. The general revenues in the business-type activities consist of \$18,824 in interest revenue.

Budgetary Highlights

Over the course of the year the City Council revised the budget one time. At the end of the year all departments maintained their expenditures within the budget appropriations. In total, the general fund's expenditures were \$62,701 less than was budgeted.

Capital Assets

At June 30, 2006 the City had \$2,486,993 invested in capital assets, including park and recreation facilities, buildings, roads, and water system. This amount represents a net decrease (additions, deductions, and depreciation) of \$133,440 over the prior year.

UINTAH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Capital Assets at Year-End

	Governmental Activities		Business-type Activities		Business-type Activities	
	2006	2005	2006	2005	2006	2005
Land	\$ 126,243	\$ 126,243	\$ 10,000	\$ 10,000	\$ 136,243	\$ 136,243
Buildings	168,234	168,234	-	-	168,234	168,234
Machinery & Equipment	14,146	37,826	39,895	39,195	54,041	77,021
Vehicles	188,698	188,698	-	-	188,698	188,698
Infrastructure	1,844,484	1,844,484	-	-	1,844,484	1,844,484
Utility Systems	-	-	1,920,019	1,920,019	1,920,019	1,920,019
Subtotal	<u>2,341,805</u>	<u>2,365,485</u>	<u>1,969,914</u>	<u>1,969,214</u>	<u>4,311,719</u>	<u>4,334,699</u>
Accum. depreciation	<u>1,518,577</u>	<u>1,445,868</u>	<u>306,149</u>	<u>268,398</u>	<u>1,824,726</u>	<u>1,714,266</u>
Capital assets, net	<u><u>\$ 823,228</u></u>	<u><u>\$ 919,617</u></u>	<u><u>\$1,663,765</u></u>	<u><u>\$1,700,816</u></u>	<u><u>\$2,486,993</u></u>	<u><u>\$2,620,433</u></u>

Debt Outstanding

At year-end, the City had \$498,458 in bonds and capital leases outstanding versus \$548,317 last year, a decrease of \$49,859.

Debt Outstanding at Year-End

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Series 2004 Bond	\$ -	\$ -	\$ 476,851	\$ 509,202	\$ 476,851	\$ 509,202
Capital Lease	<u>21,607</u>	<u>39,115</u>	<u>-</u>	<u>-</u>	<u>21,607</u>	<u>39,115</u>
Total debt outstanding	<u><u>\$ 21,607</u></u>	<u><u>\$ 39,115</u></u>	<u><u>\$ 476,851</u></u>	<u><u>\$ 509,202</u></u>	<u><u>\$ 498,458</u></u>	<u><u>\$ 548,317</u></u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Property taxes and sales taxes make up 50% of general fund revenues.

UINTAH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Financial Contact

The City's financial statements are designed to present user (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 2105 East 6550 South, Uintah, Utah 84405

BASIC FINANCIAL STATEMENTS

**UINTAH CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 785,293	\$ 226,702	\$ 1,011,995
Accounts Receivable (Net)	46,785	21,777	68,562
Total Current Assets	<u>832,078</u>	<u>248,479</u>	<u>1,080,557</u>
Noncurrent Assets:			
Water Stock	-	1,000	1,000
Capital Assets:			
Land	126,243	10,000	136,243
Buildings	168,234	-	168,234
Machinery and Equipment	14,146	39,895	54,041
Vehicles	188,698	-	188,698
Infrastructure	1,844,484	-	1,844,484
Water System	-	1,920,019	1,920,019
Less Accumulated Depreciation	(1,518,577)	(306,149)	(1,824,726)
Total Capital Assets, Net	<u>823,228</u>	<u>1,663,765</u>	<u>2,486,993</u>
Total Assets	<u>1,655,306</u>	<u>1,913,244</u>	<u>3,568,550</u>
LIABILITIES			
Current Liabilities			
Wages Payable	13	-	13
Deposits	9,750	-	9,750
Total Current Liabilities	<u>9,763</u>	<u>-</u>	<u>9,763</u>
Noncurrent Liabilities			
Due Within One Year	18,439	33,906	52,345
Due in More Than One Year	3,168	442,945	446,113
Total Noncurrent Liabilities	<u>21,607</u>	<u>476,851</u>	<u>498,458</u>
Total Liabilities	<u>31,370</u>	<u>476,851</u>	<u>508,221</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	801,621	1,187,914	1,989,535
Restricted For:			
Class "C" Roads	200,485	-	200,485
Park Impact Fees	9,833	-	9,833
Unrestricted	611,997	248,479	860,476
Total Net Assets	<u>\$ 1,623,936</u>	<u>\$ 1,436,393</u>	<u>\$ 3,060,329</u>

The accompanying notes are an integral part of these financial statements.

**UINTAH CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 142,484	\$ 21,565	\$ 1,182	\$ -
Public Safety	75,843	61,241	-	-
Highways and Public Improvement	179,324	32,122	51,142	-
Parks and Recreation	29,838	1,961	-	-
Cemetery	2,430	47,870	-	-
Total Governmental Activities	429,919	164,759	52,324	-
Business-type Activities				
Water	158,679	216,588	-	-
Garbage	48,084	64,424	-	-
Total Business-type Activities	206,763	281,012	-	-
Total Government	\$ 636,682	\$ 445,771	\$ 52,324	\$ -

General Revenues:

Taxes

 Property

 Sales and Use

 Franchise

 Telecommunication

Interest and Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

The accompanying notes are an integral part of these financial statements.

Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (119,737)	\$ -	\$ (119,737)
(14,602)	-	(14,602)
(96,060)	-	(96,060)
(27,877)	-	(27,877)
45,440	-	45,440
<u>(212,836)</u>	<u>-</u>	<u>(212,836)</u>
-	57,909	57,909
-	16,340	16,340
-	74,249	74,249
<u>(212,836)</u>	<u>74,249</u>	<u>(138,587)</u>
39,394	-	39,394
123,045	-	123,045
55,649	-	55,649
26,497	-	26,497
24,670	2,574	27,244
251	16,250	16,501
13,000	(13,000)	-
<u>282,506</u>	<u>5,824</u>	<u>288,330</u>
69,670	80,073	149,743
<u>1,554,266</u>	<u>1,356,320</u>	<u>2,910,586</u>
<u>\$ 1,623,936</u>	<u>\$ 1,436,393</u>	<u>\$ 3,060,329</u>

**UINTAH CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 241,457	\$ 543,836	\$ 785,293
Accounts Receivable	46,785	-	46,785
TOTAL ASSETS	<u>\$ 288,242</u>	<u>\$ 543,836</u>	<u>\$ 832,078</u>
LIABILITIES			
Wages Payable	\$ 13	\$ -	\$ 13
Deposits	9,750	-	9,750
TOTAL LIABILITIES	<u>9,763</u>	<u>-</u>	<u>9,763</u>
FUND BALANCES			
Reserved for:			
Class "C" Roads	200,485	-	200,485
Parks	9,833	-	9,833
Unreserved	68,161	543,836	611,997
TOTAL FUND BALANCES	<u>278,479</u>	<u>543,836</u>	<u>822,315</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 288,242</u>	<u>\$ 543,836</u>	<u>\$ 832,078</u>

The accompanying notes are an integral part of these financial statements.

UINTAH CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total fund balances—total governmental funds	\$ 822,315
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	823,228
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,607)</u>
Net assets of governmental activities	<u>\$ 1,623,936</u>

The accompanying notes are an integral part of these financial statements.

UINTAH CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 244,585	\$ -	\$ 244,585
Licenses and Permits	34,900	-	34,900
Intergovernmental	52,324	-	52,324
Charges for services	58,445	-	58,445
Fines	61,241	-	61,241
Other Revenues	35,094	-	35,094
Total Revenues	486,589	-	486,589
EXPENDITURES			
Current Operating:			
General Government	140,565	-	140,565
Public Safety	92,251	-	92,251
Highways and Public Improvements	81,339	-	81,339
Parks and Recreation	29,838	-	29,838
Cemetery	2,206	-	2,206
Capital Projects	-	4,839	4,839
Total Expenditures	346,199	4,839	351,038
Excess of Revenues Over (Under) Expenditures	140,390	(4,839)	135,551
OTHER FINANCING SOURCES (USES)			
Transfers-In	13,000	130,000	143,000
Transfers-Out	(130,000)	-	(130,000)
Total Other Financing Sources (Uses)	(117,000)	130,000	13,000
Net Change in Fund Balances	23,390	125,161	148,551
Fund Balances at Beginning of Year	255,089	418,675	673,764
Fund Balances at End of Year	\$ 278,479	\$ 543,836	\$ 822,315

The accompanying notes are an integral part of these financial statements.

UINTAH CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balance, total governmental funds	\$ 148,551
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Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	-	
Depreciation Expense	<u>(96,389)</u>	(96,389)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

<u>17,508</u>

Change in net assets of governmental activities	<u><u>\$ 69,670</u></u>
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The accompanying notes are an integral part of these financial statements.

**UINTAH CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>Enterprise</u>
ASSETS	
Current Assets:	
Cash	\$ 226,702
Accounts Receivable (Net)	<u>21,777</u>
Total Current Assets	<u>248,479</u>
Noncurrent Assets:	
Water Stock	1,000
Capital Assets	
Land	10,000
Machinery & Equipment	39,895
Water System	1,920,019
Less Accumulated Depreciation	<u>(306,149)</u>
Total Capital Assets, Net	<u>1,663,765</u>
Total Assets	<u>\$ 1,913,244</u>
LIABILITIES	
Current Liabilities:	
Current Portion of Long-Term Liabilities	<u>\$ 33,906</u>
Total Current Liabilities	<u>33,906</u>
Noncurrent Liabilities:	
Long-Term Liabilities, Net of Current Portion	<u>442,945</u>
Total Liabilities	<u>476,851</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,187,914
Unrestricted	<u>248,479</u>
Total Net Assets	<u>1,436,393</u>
Total Liabilities and Net Assets	<u>\$ 1,913,244</u>

The accompanying notes are an integral part of these financial statements.

UINTAH CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Enterprise</u>
Operating Revenues:	
Charges for Services:	
Water Sales	\$ 190,812
Garbage Sales	64,424
Other Charges	<u>16,250</u>
Total Operating Revenues	271,486
Operating Expenses:	
Salaries and Wages	8,140
Water Purchases	48,084
Professional Fees	9,538
Depreciation	38,550
Garbage Disposal	48,084
Office	4,790
Supplies and Maintenance	<u>25,770</u>
Total Operating Expenses	<u>182,956</u>
Operating Income (Loss)	88,530
Nonoperating Revenues (Expenses):	
Connection Fees	1,612
Impact Fees	24,164
Interest Revenue	2,574
Interest Expense	<u>(23,807)</u>
Total Nonoperating Revenues (Expenses)	<u>4,543</u>
Other Financing Sources (Uses):	
Transfer In (Out)	<u>(13,000)</u>
Total Other Financing Sources (Uses)	<u>(13,000)</u>
Change in Net Assets	80,073
Total Net Assets - Beginning	<u>1,356,320</u>
Total Net Assets - Ending	<u><u>\$ 1,436,393</u></u>

The accompanying notes are an integral part of these financial statements.

UINTAH CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Enterprise</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 252,019
Cash Received From Other Operating Activities	16,250
Cash Paid to Suppliers	(136,266)
Cash Paid to Employees	(8,140)
Net Cash Provided (Used) by Operating Activities	<u>123,863</u>
Cash Flows from Noncapital Financing Activities	
Transfers In	-
Transfers Out	(13,000)
Net Cash (Used) in Noncapital Financing Activities	<u>(13,000)</u>
Cash Flows from Capital and Related Financing Activities	
Principal Payments - Bonds	(32,351)
Interest Paid	(23,807)
Acquisition of Capital Assets	-
Impact Fees Collected	24,164
Collection Fees Collected	1,612
Net Cash (Used) in Capital and Related Financing Activities	<u>(30,382)</u>
Cash Flows from Investing Activities	
Interest on Investments	2,574
Net Cash Provided by Investing Activities	<u>2,574</u>
Net Increase (Decrease) in Cash	83,055
Cash - July 1	<u>143,647</u>
Cash - June 30	<u><u>\$ 226,702</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 88,530
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	38,550
Changes in Assets and Liabilities:	
Accounts Receivable	(3,217)
Net Cash Provided by Operating Activities	<u><u>\$ 123,863</u></u>

The accompanying notes are an integral part of these financial statements.

UINTAH CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The government is a municipal corporation governed by an elected mayor and council. The City was settled in 1850 and incorporated in 1930. The City provides the following services as authorized by its charter: Public safety (police and fire), public utility (water and refuse), highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Assets - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

UINTAH CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is a description of the proprietary fund of the City.

Enterprise Fund is used to account for the provision of water and refuse services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and refuse system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (continued)

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled Enterprise services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

UINTAH CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statement for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

4. Capital Assets (continued)

Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Water system	50
Infrastructure	20
Equipment	7
Vehicles	5

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

5. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable, bonds payable and a court-assessed judgment.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

6. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

7. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

7. Interfund Transactions (continued)

All other interfund transactions, except interfund services provided and used are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

8. Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

9. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Uintah City Municipal Council on or before June 15th for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

All budgets are adopted on a basis consistent with generally accepted accounting principles.

UINTAH CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budget Information (continued)

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types are not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2005/2006 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Restricted for Class "C" Roads - The State of Utah remits a portion of license fees paid and gasoline taxes collected to local units of government as Class "C" Road Funds to be used for the construction and maintenance of roads within the boundaries of the local jurisdiction. All unexpended funds that have been received are reserved at the end of the fiscal year to be appropriated in subsequent budget years.

Restricted for Parks - The City collects park impact fees, these fees are to be expended only on parks. Any unexpended funds that have been received and not expended at the end of the fiscal year are reserved and are to be appropriated for subsequent budget years.

UINTAH CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Fund Equity Restrictions (continued)

Restricted for Water Impact Fees – The City collects water impact fees, these fees are to be expended only on the water system. Any unexpended funds that have been received and not expended at the end of the fiscal year are reserved and are to be appropriated for subsequent budget years. .

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$167,497 of the City's bank balances of \$482,799 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

UINTAH CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	577,366	577,366	-	-	-	not rated
	577,366	577,366	-	-	-	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:

Cash on hand	\$ 80
Cash on deposit	434,549
PTIF investment	<u>577,366</u>
Total cash and investments	<u>\$ 1,011,995</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash	<u>\$ 1,011,995</u>
Total cash and investments	<u>\$ 1,011,995</u>

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Accounts Receivable

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2006, are as follows:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:			
Intergovernmental	\$ 46,785	\$ -	\$46,785
Utility billings	-	21,777	21,777
Gross receivables	46,785	21,777	68,562
Less: Allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 46,785</u>	<u>\$ 21,777</u>	<u>\$ 68,562</u>

The City had no interfund receivables as of June 30, 2006.

C. Capital Assets

A summary of changes in capital assets in the governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 126,243	\$ -	\$ -	\$ 126,243
Total capital assets, not being depreciated	126,243	-	-	126,243
Capital assets, being depreciated				
Buildings	168,234	-	-	168,234
Machinery and Equipment	37,826	-	(23,680)	14,146
Vehicles	191,198	-	(2,500)	188,698
Infrastructure	1,844,484	-	-	1,844,484
Total capital assets, being depreciated	2,241,742	-	(26,180)	2,215,562
Accumulated Depreciation for:				
Buildings	(90,329)	(3,064)	-	(93,393)
Machinery and Equipment	(37,826)	23,680	-	(14,146)
Vehicles	(187,597)	(1,100)	-	(188,697)
Infrastructure	(1,130,116)	(92,225)	-	(1,222,341)
Total accumulated depreciation	(1,445,868)	(72,709)	-	(1,518,577)
Total capital assets, being depreciated, net	795,874	(72,709)	(26,180)	696,985
Governmental activities capital assets, net	<u>\$ 922,117</u>	<u>\$ (72,709)</u>	<u>\$ (26,180)</u>	<u>\$ 823,228</u>

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

C. Capital Assets (continued)

A summary of changes in capital assets in the business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets, not being depreciated	10,000	-	-	10,000
Capital assets, being depreciated				
Machinery and Equipment	39,195	1,500	(800)	39,895
Water System	1,920,019	-	-	1,920,019
Total capital assets, being depreciated	1,959,214	1,500	(800)	1,959,914
Accumulated Depreciation for:				
Machinery and Equipment	(39,196)	(150)	800	(38,546)
Water System	(229,203)	(38,400)	-	(267,603)
Total accumulated depreciation	(268,399)	(38,550)	800	(306,149)
Total capital assets, being depreciated, net	1,690,815	(37,050)	-	1,653,765
Business-type activities capital assets, net	<u>\$ 1,700,815</u>	<u>\$ (37,050)</u>	<u>\$ -</u>	<u>\$ 1,663,765</u>

Depreciation Expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General Government	\$ 1,919
Public Safety	1,100
Highways and Public Improvement	93,146
Parks and Recreation	-
Cemetery	224
Total Depreciation Expense	<u>\$ 96,389</u>

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Interfund Transfers

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in another fund. The following summarizes interfund transfers made:

Transfers Out	Transfers In			Total
	General Fund	Capital Projects	Enterprise Fund	
General Fund	\$ -	\$ 130,000	\$ -	\$ 130,000
Capital Projects	-	-	-	-
Enterprise Fund	13,000	-	-	13,000
	<u>\$ 13,000</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 143,000</u>

E. Long-Term Liabilities

Leases

Capital Lease - The City has entered into a lease agreement as lessee for financing a fire truck. This lease agreement qualifies for capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments.

The gross value of the fire truck is \$138,649. The fire truck is now fully amortized.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ended June 30,	Principal	Interest	Total
2007	\$ 18,439	\$ 687	\$ 19,126
2008	3,168	21	3,188
	<u>\$ 21,607</u>	<u>\$ 708</u>	<u>\$ 22,314</u>

In the statement of activities for the year ended June 30, 2006 \$1,617 of interest expense from the lease obligation was included as a direct expense of the Public Safety Program.

UINTAH CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

E. Long-Term Liabilities (continued)

Water Revenue Bond

In January of 2004 the City refinanced the water revenue bonds and issued additional bonds. Interest plus principal is paid on February 1 and on August 1 of each year. The Series 2004 Bonds are scheduled to be paid in full by Feb 1, 2017. The interest rate is 4.75%.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 33,906	\$ 22,253	\$ 56,159
2008	35,536	20,623	56,159
2009	37,244	18,915	56,159
2010	39,034	17,125	56,159
2011	40,910	15,249	56,159
2012-2016	236,001	44,794	280,795
2017	54,220	1,939	56,159
	<u>\$ 476,851</u>	<u>\$ 140,898</u>	<u>\$ 617,749</u>

Long-term liabilities outstanding at year end are as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital Lease	\$ 39,115	\$ -	\$ 17,508	\$ 21,607	\$ 18,439
Total Liabilities	39,115	-	17,508	21,607	18,439
<i>Total Governmental Activities</i>	<u>\$ 39,115</u>	<u>\$ -</u>	<u>\$ 17,508</u>	<u>\$ 21,607</u>	<u>\$ 18,439</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
Business-type Activities:	<u>July 1,</u>			<u>June 30,</u>	<u>Due</u>
	<u>2005</u>			<u>2006</u>	<u>Within</u>
Series 2004 Bond	\$509,202	\$ -	\$ 32,351	\$476,851	\$ 33,906
Total Liabilities	509,202	-	32,351	476,851	33,906
<i>Total Business-type Activities</i>	<u>\$509,202</u>	<u>\$ -</u>	<u>\$ 32,351</u>	<u>\$476,851</u>	<u>\$ 33,906</u>

UINTAH CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

UINTAH CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Property Taxes	\$ 41,000	\$ 41,000	\$ 39,394	\$ (1,606)
Sales Tax	110,000	110,000	123,045	13,045
Franchise Tax	48,000	48,000	55,649	7,649
Telecommunication Tax	50,000	22,000	26,497	4,497
	<u>249,000</u>	<u>221,000</u>	<u>244,585</u>	<u>23,585</u>
Licenses and Permits:				
Business Licenses	5,000	5,000	4,771	(229)
Building Permits	20,000	20,000	26,643	6,643
Miscellaneous Licenses	3,250	3,250	3,486	236
	<u>28,250</u>	<u>28,250</u>	<u>34,900</u>	<u>6,650</u>
Intergovernmental:				
Class "C" Road	50,000	50,000	51,142	1,142
State Liquor Allotment	800	800	1,182	382
	<u>50,800</u>	<u>50,800</u>	<u>52,324</u>	<u>1,524</u>
Charges for Services:				
Annex Fees	1,500	1,500	-	(1,500)
Administrative Fees	2,000	2,000	3,135	1,135
Impact Fees	2,500	3,000	5,479	2,479
Park & Recreation	2,300	2,300	1,961	(339)
Sale of Cemetery Lots	3,000	3,000	34,720	31,720
Burial Fees	1,000	1,000	1,400	400
Cemetery Perpetual Care	1,000	1,000	11,750	10,750
	<u>13,300</u>	<u>13,800</u>	<u>58,445</u>	<u>44,645</u>
Fines and Forfeitures	<u>70,000</u>	<u>70,000</u>	<u>61,241</u>	<u>(8,759)</u>
Other Revenues:				
Interest Earnings	8,000	8,000	24,670	16,670
Sale of Assets	-	-	251	251
Sundry	4,050	4,050	10,173	6,123
	<u>12,050</u>	<u>12,050</u>	<u>35,094</u>	<u>23,044</u>
Total Revenues	<u>\$ 423,400</u>	<u>\$ 395,900</u>	<u>\$ 486,589</u>	<u>\$ 90,689</u>

UINTAH CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
General Government:				
Legislative	\$ 7,100	\$ 7,100	\$ 6,367	\$ 733
Municipal Court	54,200	54,200	40,680	13,520
Administrative	113,400	95,250	74,971	20,279
Planning Commission	11,200	13,200	11,874	1,326
Building Inspection	4,550	4,550	2,588	1,962
General Buildings	3,800	3,800	2,788	1,012
Nondepartmental	1,200	1,300	1,297	3
	<u>195,450</u>	<u>179,400</u>	<u>140,565</u>	<u>38,835</u>
Public Safety:				
Police and Fire Departments	93,490	94,490	92,251	2,239
Animal Control	1,200	1,200	-	1,200
	<u>94,690</u>	<u>95,690</u>	<u>92,251</u>	<u>3,439</u>
Highways and Public Improvements:				
Public Works	33,300	33,400	30,515	2,885
Streets	69,450	64,450	49,251	15,199
Storm Drains	18,000	2,350	1,573	777
	<u>120,750</u>	<u>100,200</u>	<u>81,339</u>	<u>18,861</u>
Parks and Recreation	22,455	30,555	29,838	717
Cemetery	3,055	3,055	2,206	849
Total Expenditures	<u>436,400</u>	<u>408,900</u>	<u>346,199</u>	<u>62,701</u>
Other financing sources (uses):				
Fund Balance	-	130,000	-	130,000
Transfers in	13,000	13,000	13,000	-
Transfers (out)	-	(130,000)	(130,000)	-
Total other financing sources (uses)	<u>13,000</u>	<u>13,000</u>	<u>(117,000)</u>	<u>130,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>23,390</u>	<u>23,390</u>
Fund Balance - July 1	<u>255,089</u>	<u>255,089</u>	<u>255,089</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 255,089</u>	<u>\$ 255,089</u>	<u>\$ 278,479</u>	<u>\$ 23,390</u>

SUPPLEMENTARY INFORMATION

**UINTAH CITY
IMPACT FEE REPORTING
JUNE 30, 2006**

Impact fees are a funding tool used by local governments to place the cost of specific entity improvements to those that are creating the need for the improvements. Uintah City has established two impact fees that are charged to either the developer or individual property owner.

Park Impact Fee Reserve

The park impact fee reserve has been collected in the past three years as shown in the table below. The balance at June 30, 2006 was \$9,833. These funds are planned to be expended within the next three years as shown on the table. The planned expenditures will be for the acquisition and development of a new City park.

PARK IMPACT FEES			
	Balance		Planned Expenditures
2004	2,710	2007	-
2005	1,644	2008	205,361
2006	5,479	2009	200,000
	<u>\$ 9,833</u>		<u>\$ 405,361</u>

Water Impact Fee Reserve

The water impact fee is reported on the financial statements as a zero balance. However, the actual balance is a deficit of \$161,338. The impact fees collected has not covered the debt service expenditures that have been paid over the years from which the capital improvements were made. Future debt service payments that will be funded with water impact fees are as follows:

2007	\$ 56,159
2008	56,159
2009	56,159
2010	56,159
2011	56,159
2012-2017	<u>336,954</u>
	<u>\$ 617,749</u>

AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Uintah City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Uintah City, as of and for the year ended June 30, 2006, which collectively comprise Uintah City's basic financial statements and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Uintah City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Uintah City

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah
October 3, 2006

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and City Council
Uintah City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Uintah City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated October 3, 2006. As part of our audit, we have audited Uintah City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation & Property	Uniform Building Code Standards
Tax Limitations	Impact Fees

The management of Uintah City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance
Page 2

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Uintah City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wood Richards & Associates

October 3, 2006